



DRIVING THE COMMERCIALIZATION OF SCIENCE AND TECHNOLOGY INNOVATION IN BRITISH COLUMBIA

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**ANNUAL SERVICE PLAN REPORT
FISCAL YEAR 2008/09**

THE PERIOD APRIL 1, 2008 TO MARCH 31, 2009

BRITISH
COLUMBIA
INNOVATION
COUNCIL



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MESSAGE FROM THE CHAIR



JUN 26 2009

Dear Minister Black,

VICTORIA, B.C.

On behalf of the Board of Directors and the employees of the BC Innovation Council, I am pleased to present our Annual Service Plan Report for fiscal 2008/09.

Our Board of Directors, which has been strengthened with two new members, is now comprised of: Jonathan Burke, Gurval Caer, Jock Finlayson, Richard Glickman, Doug Horswill, Greg Kerfoot, Jill Leversage, Martha Salcudean, Morgan Sturdy and Alan Winter.

The Council has been identified by the Province of British Columbia as the lead organization charged with advancing innovation and commercialization in BC. Given the rapidly changing economic climate in BC, Canada and key international markets over the past year, it is now more important than ever to secure strong and healthy growth in the knowledge economy — a task that we at BCIC take as our core mandate and key undertaking.

Over the past year, BCIC moved forward to strengthen the technology industry through a number of new programs and initiatives at a time when the economy was under severe pressure. These programs have allowed the Council to stimulate the involvement of many partners and seed


Greg Aasen
Chair, BC Innovation Council

activities that create economic opportunities throughout the province. These results are encompassed in our three main goals and nine measures reviewed in this report. We have met or exceeded six measures. We are in the process of reviewing the three remaining measures for secondary and post-secondary scholarships and leveraging of core funding which weren't fully met. We are revising these three measures to more accurately reflect the Council's programming. We will finalize this decision with the Ministry of Small Business, Technology and Economic Development in 2009/10.

Growing the knowledge economy, through successful commercialization of science and technology innovations, advancing the quality and quantity of talent available, creating new jobs and supporting research leading to innovative solutions will help secure a top position for BC in the global competition for talent and sectoral excellence.

Over the past year, the Council remained focused on achieving its core mandate through its dedicated work in three key areas:

1. **Increasing talent** to meet the needs of BC's expanding technology sector. To lessen the single largest threat to the knowledge economy, namely the shortage of qualified people available to the industry, the Council offers or participates in a number of programs. For example:
 - The BCIC Chair in Sales and Sales Management partners with the Sauder School of Business at UBC to help fill the need for homegrown sales leadership and management talent critical to the growth of BC's technology industry.
2. **Nurturing innovation** at all levels of education and academia, as well as in the private sector, that will ultimately lead to commercial success stories. For example:
 - BCIC introduced the first new programs to be funded from the Natural Resources and Applied Sciences (NRAS) Endowment Fund that will support faculty-led research programs that train students as highly qualified personnel.
3. **Strengthening British Columbia's commercialization** process by providing encouragement and tools to drive innovative ideas toward commercial success. For example:
 - The Council's partnership with The New Ventures BC Competition provides an opportunity for entrepreneurs to present business plans to a panel of industry executives and potential investors. Winners receive funding to proceed to commercialization. BCIC is the title sponsor of this competition providing a total of \$246,000 in prizes.

FINANCIAL POSITION

Through its leveraging of funds, knowledge, and industry expertise, BCIC maximizes the value of every dollar it spends. The Council's existing resources are fully committed to Board-approved programs and sector initiatives.

From a fiscal perspective, 2008/09 cash expenditures, either directly or through funding provided to other organizations, totalled \$16.245 million; in-line with the revised budget agreed to by the Ministry of Finance in December 2008. The net expenditures

MESSAGE FROM THE CHAIR

over revenue, which were sourced from the Council's surplus funds, were used to operate and expand a number of core applied research scholarship and technology commercialization programs that are outlined later in this report.

The Council remained in a solid financial position at the end of 2008/09, having unrestricted net assets totalling \$7 million available to support future programming, along with the base budget funding it receives from the Ministry of Small Business, Technology and Economic Development.

LOOKING FORWARD

It is vital that our technology sector, so critical to BC's economy and diversity, continues to grow. This in turn means that new entrepreneurs need to be encouraged and supported because they remain a critical lifeline to the future of the sector. In this context, particularly in the current challenging economic climate, BCIC's role in the growth of a strong knowledge economy is more important than ever.

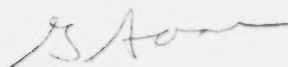
Reflecting on the year's achievements, the Board and management are confident that BCIC is on its way to achieving its core mandate to advance innovation and commercialization in the province by providing effective programming and support to academic researchers and the technology industry alike.

At the same time, BCIC is moving forward to meet its mandate through a refined focus on pre-commercialization stage programming and support to early stage technology companies. To this end, BCIC is filling a key gap and removing barriers in order to create more opportunity for technology company growth and innovation.

We are very appreciative of the continuing support we have received over the past year and would like to thank the Ministry of Advanced Education, Minister Murray Coell and Deputy Minister Moura Quayle. We would also like to thank the past Minister of Small Business, Technology and Economic Development, Minister Ida Chong and Deputy Minister Don Fast for their support over the past year. We look forward to working with you and all of your colleagues in Cabinet and across government in the upcoming year.

BCIC staff and Board members are excited and energized about the possibilities for advancing the cause of science and technology in the province and in that spirit, look forward to working with you and your Ministry in the year ahead.

On behalf of the Board,



Greg Aasen,
Chair, BC Innovation Council

June 17, 2009

ACCOUNTABILITY STATEMENT

The 2008/09 BC Innovation Council Annual Service Plan Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BC Innovation Council for the 12 months ending March 31st, 2009. The measures presented are consistent with the BC Innovation Council's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to confirm that performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of June 17th, 2009, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Its contents are consistent with the Shareholder's Letter of Expectations received from the Minister of Small Business, Technology and Economic Development in 2009.



Greg Aasen,
Chair, BC Innovation Council

June 17, 2009

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ORGANIZATIONAL OVERVIEW

The BC Innovation Council is a provincial Crown agency operating under the British Columbia Innovation Council Act (Amended in Bill 15 - 2006).

BENEFITS FOR BRITISH COLUMBIANS

BCIC plays a unique and critical role in helping position BC as a world leader in science and technology. It does so by pursuing activities to bridge the innovation to commercialization gap in the province's key sectors where it has core competencies. The net result is two-fold: global recognition for the province as a centre of excellence; and an increased standard of living through a more dynamic and diverse technology economy.

BCIC contributes to a strengthened economy by:

1. Increasing talent

Sustained growth of BC's technology industries will depend upon a continuing supply of highly qualified personnel. Based on current trends, the number of BC students trained and graduating in the science and technology disciplines is expected to decline beginning in 2015. Further, the number of trained international students is not projected to increase at a sufficient rate to fill the gap. This will have a serious impact on BC technology companies and their capacity to innovate and compete in global markets in the future.

BCIC's objective is to increase the number of students pursuing careers in this field. The Council achieves this through programs such as student scholarships and science fairs. It has also joined with the Sauder School of Business at UBC to help with the increasing demand for senior sales leadership so critical to the growth of the BC technology industry. Specifically, the Council awarded \$2.1 million towards creating the endowed BCIC Chair in Sales and Sales Management.

2. Nurturing innovation

Provincial research investment in British Columbia has led to significant innovation and establishment of new ventures that today are the foundation for the province's technology industry. BCIC's programs and initiatives add to this foundation by increasing further research and innovation.

BCIC's objective is to nurture innovation at all levels of education and academia, as well as in the private sector, that will ultimately lead to commercial success stories. It fulfils this goal through a variety of initiatives. For example, the Council's investment in science and technology graduate students encourages and supports them to further develop and lead their technology innovations to commercialization.

3. Strengthening the commercialization process

The province has many innovations with potential for commercialization that have not proceeded beyond the research phase. This is a result of a disconnect between innovation and commercialization phases due to limited technology transfer from post-secondary institutions to industry, lack of a sufficient incubation infrastructure and limited access to expertise, resources, financing and international markets for early-stage companies.

BCIC's objective is to increase the transfer of research and technology to commercialization. The Council plays a key role in helping individuals and start up enterprises to cross the divide between idea and commercial implementation. This is why BCIC is building partnerships with industry, organizational and governmental partners to increase awareness in international markets of those sectors where BC has capacity and competitive advantage. Through its industry sector development initiatives, the Council also provides guidance to new ventures and small and medium-size technology enterprises to encourage innovation and develop global markets.

In addition, BCIC considers its activities in two additional areas important to the province and has therefore included them in its Report on Performance. These activities are increasing public awareness, both provincially and internationally and the Council's Climate Action initiatives.

ORGANIZATIONAL OVERVIEW

MANDATE

BCIC operates under five strategic mandate areas that:

- Encourage the province's youth to consider pursuing research and technology related careers.
- Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction and create awareness of world-class technology-based products and services to international markets.
- Capitalize and expand technology transfer by getting research results with clear economic potential out of university laboratories and research institutions and into the commercialization process as quickly and efficiently as possible.
- Partner in the development and promotion of a province-wide strategy for science, innovation and technology development.
- Build public awareness for science and technology to recognize high achievement of the province's researchers, scientists and technology entrepreneurs.

VALUES

BCIC's values are:

Entrepreneurial

Identifying the needs of its primary market — the research and innovation sector in the province — and ensuring that it carries out market driven activities.

Innovative

Pursuing opportunities that ensure its resources are effectively utilized and sustainable activities are developed.

Partner-driven

In its collaboration with other organizations, leverages and adds value to programs and activity planning and execution.

Accountable

For its activities, ensuring efficient, transparent and fair processes are followed.

CORPORATE GOVERNANCE

The Council follows, and is in compliance with, the Board Governance guidelines posted on the Board Resourcing and Development Office (BRDO) website.

The Lieutenant Governor in Council, through Order-in-Council, appoints the members of the Council Board, and delegates the role of the Chair. The Board Chair, Greg Aasen, reports to the British Columbia Legislative Assembly through the Honourable Iain Black, Minister of Small Business, Technology and Economic Development. Our Board of Directors has 11 members:

- Greg Aasen, Chair
- Jonathan Burke
- Gurval Caer
- Jock Finlayson
- Richard Glickman
- Doug Horswill
- Greg Kerfoot
- Jill Leversage
- Martha Salcudean
- Morgan Sturdy
- Alan Winter

There are currently up to four vacancies.

THE BOARD

- Sets the strategic direction and approves appropriate plans from management;
- Recruits, empowers and monitors the executive management;
- Shepherds and safeguards Council resources, approves major financial decisions, ensures internal controls are in place and addresses areas of risk; and,
- Measures corporate performance, reporting regularly to the stakeholders to ensure compliance with applicable laws and ethical standards.

BOARD COMMITTEES

The **Audit and Finance Committee** helps the Board fulfil its obligations and oversight responsibilities relating to the audit process, financial reporting, corporate control systems and risk management. When required, it makes recommendations to the full Board for approval.

- Current committee members: Jock Finlayson, Jill Leversage

The **Governance and Board Nomination Committee** reviews Board policies and practices, ensuring the Council fulfills its legislated mandate, and implements effective due diligence over the Council's governance.

- Current committee members: Richard Glickman, Greg Kerfoot, Morgan Sturdy

The **Human Resources and Compensation Committee** assists the Board in fulfilling its oversight responsibilities with respect to the Council's staff policies and practices.

- Current committee members: Richard Glickman, Alan Winter

GOVERNANCE PRINCIPLES

The Council's Board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a structure from which to operate.

These principles include:

- Stewardship, leadership and effective functioning of the Board,
- Performance and value, innovation and continuous improvement.

CORPORATE GOVERNANCE

GOVERNANCE DISCLOSURE

The Council's governance documents and related disclosure practices are available at <http://www.bcic.ca/about-us/governance>, as well as from BCIC's Chief Financial Officer, who keeps a full log and library of all documents related to Council and its activities.

SENIOR MANAGEMENT TEAM

Dean Rockwell – Chief Executive Officer

Phil Reeves – Chief Financial Officer

Ross Waddell – Director, Programs

Lin Kishore – Director, Marketing & Communications

VOLUNTEERS

BCIC relies heavily on volunteer support to carry out its mandate. We greatly appreciate their participation and commitment. Volunteers are involved primarily in four functional areas:

Educational Support - Scientists and industry experts who work with schools and outreach organizations to build science and technology education in BC's primary through secondary school system.

Evaluation - Experts who review proposals, participate in workshops and discussions, and provide expert advice on issues relating to research and scientific merit.

Research to Commercialization - Representatives from industry, academia and government who offer their expertise in research, technology transfer and commercialization.

Commercialization and Business Development - Prominent BC technology entrepreneurs, who serve on the Board, work on committees and provide advice to new companies.

LOCATION

The BC Innovation Council's office is located at the Leading Edge Technology Centre in downtown Vancouver, where technology industry associations and other complementary organizations are also located. These include:

- Academy for Technology CEOs (ACETECH)
- BC Technology Industries Association (BC TIA)
- Leading Edge Endowment Fund
- LifeSciencesBC
- National Research Council Canada – Industrial Research Assistance Program (NRC-IRAP)
- Science Fair Foundation BC
- Wireless Innovation Network of BC (WINBC)

The Provincial Government has designated the BC Innovation Council as the lead organization charged with advancing innovation and commercialization in the province.

BCIC's role is to expedite top-tier innovation to commercialization in the province in partnership with government, industry and institutions. The Council's activities involve developing and implementing programs and initiatives in the areas of talent development, innovation and commercialization to enable expansion in sectors where BC has core competency and opportunity.

OVERVIEW OF CORE BUSINESS

SHIFTS IN CORE BUSINESS

The strategy to accelerate the growth of science and technology sectors throughout BC that began in 2007/08 continued last year. This took on critical urgency in the context of an uncertain economic climate particularly where early stage entrepreneurial efforts required encouragement and nurturing in their preliminary stages of development. The Council is refining its focus under its mandate to ensure the gap between innovation and commercialization is addressed. This shift will help secure the future of BC's very early stage technology companies which provide high-paying job opportunities and revenues for the Province.

In its ongoing goal to accelerate and where possible "jump-start" commercialization, BCIC continued to strengthen connections with industry by adopting an industry sector approach focused on building critical mass in key sectors of the economy.

In this context and as cited by the Premier's Technology Council, BCIC has been identified as a key agency in the drive towards a strong knowledge economy. The Global Connect Report – "Integrating and Enhancing the BC Knowledge Transfer System" – identified BCIC as the best placed organization to "act as an honest, neutral broker to facilitate the active engagement of entrepreneurs, researchers, technology companies, capital providers, service providers and government agencies to build a community that assists in the mobilization of knowledge and the formation and growth of technology-based business opportunities in BC".

As an independent entity, the Council is uniquely placed to work horizontally across regions, governments, academia and industry to accelerate collaborative efforts.

CORE BUSINESS FUNCTIONS

Activities are accomplished through three functional areas:

- Industry Sector Development
- Programs
- Marketing and Communications

INDUSTRY SECTOR DEVELOPMENT

BCIC's three industry sector directors identify opportunities to encourage recruitment of talent and to enhance innovation and commercialization across the province. To meet this challenge, the sector directors work closely with partners in the development of ideas that will lead to greater wealth creation in the province's technology economy. (For detailed information on the Council's activities please visit: www.bcic.ca).

LIFE SCIENCES SECTOR

BCIC's Life Sciences sector is focused on growing the province's bio-economy. Such work is pivotal because it encourages the use of advanced science and technology across a broad spectrum of provincial expertise. This includes such areas as agriculture, food, biorefining, bioproducts, and health.

For example, BCIC's CAT (Commercialization of Agricultural Technology) Competition bridges the gap between research and industry to increase commercialization potential in the agriculture, food and bioproducts industries. The sector also supported LifeSciences BC in leading a ligno-cellulose based ethanol and chemicals project to assist small and medium enterprises to improve their innovative and competitive positions in the market place.

OCEAN SCIENCES AND ENERGY SECTOR

BCIC's Ocean Sciences and Energy sector is focused on maritime and port security technologies and ocean energy. To prioritize policy, research and industrial development issues facing this sector, the Council joined forces with the Ocean Renewable Energy Group to develop and produce two international symposia. One symposium was the Pacific Northwest Economic Region (PNWER) Conference. Over 30 alternative energy technology providers from BC were presented to international audiences.

The Council also collaborated with the Canadian Navy in the development of a symposium as part of an international Security Challenge in the Asia Pacific Conference held in Victoria.

CREATIVE INDUSTRIES SECTOR

BCIC's Creative Industries sector is focused on industrial design, new media, and wireless technologies. One example is its support of Wavefront, a non-profit commercialization centre accelerating the growth of BC's cluster of more than 1,000 wireless and new media development companies.

BCIC also sponsored conferences organized by ACM SIGGRAPH (Association for Computing Machinery Special Interest Group for Graphics and Interactive Techniques) and the annual Game Developers Conference in California. Both sponsorships increased international awareness of talent available in BC to encourage international companies to do business in the province.

BCIC PROGRAMS

BCIC has launched a range of programs supporting talent development, innovation, and commercialization. These programs build on collaborative partnerships within the province's science, technology and business communities and where possible, leveraged industry and other provincial and federal funds. Program examples include:

TALENT DEVELOPMENT

BCIC's talent development programs support education and training of students from the primary through to post-secondary levels. Educational assistance encompasses science, technology and entrepreneurship outreach, strategic alliances in The Science Fair Program and the launch of a new undergraduate entrance scholarship program in partnership with two regional development trusts.

CORE BUSINESS FUNCTIONS

The graduate scholarship program supports teams students with advanced technology innovations, and students studying business to produce business plans for presentation to industry executives and potential investors. In 2008/09 scholarship recipients produced 15 business plans.

BCIC also focuses on talent development for industry professionals. For example, the BCIC Chair in Sales and Sales Management at The University of British Columbia is an example of the Council's focus on the development of much needed senior sales leadership in the technology industry.

INNOVATION

BCIC's innovation programs support high-level research and innovation in research institutions and industry. The innovations have the potential for industrial application and commercialization for the economic benefit of the province. For example, BCIC supports research innovation through the Natural Resources and Applied Sciences (NRAS) Endowment Fund. The fund supports the development of high-level, multi-disciplinary research teams with research programs that will provide economic, environmental and social benefits to BC.

In addition, BCIC encourages student innovations through undergraduate entrance and graduate scholarship programs.

COMMERCIALIZATION

BCIC's commercialization programs encourage entrepreneurship, management and leadership skills. For example, through New Ventures BC, the Council provides training and mentorship for entrepreneurs developing business plans for technology commercialization. In 2008, BCIC awarded three competition finalists a total of \$200,000 for proof of concept development.

BCIC has further plans to increase the number of proofs of concepts developed for the economic benefit of the province.

REGIONAL

BCIC supports the BC Regional Science and Technology Network and each of its nine member councils. In 2008/09, its Shareholder's Letter of Expectations to each of the councils outlined strategic priorities and high-level performance expectations. The Council is committed to three strategic initiatives, specifically increasing: regional participation in Council programs and initiatives; regional participation in the New Ventures BC Competition; and regional participation in science fairs.

INTERNATIONAL

The Council with partners, organizations and foreign jurisdictions develops strategic alliances and international partnerships. Partner organizations include PNWER and others in the Pacific Northwest.

Through BCIC's partnership with the People's Republic of China, Ministry of Science and Technology (MOST), funding was awarded to 13 BC researchers. These researchers work in teams with their Chinese counterparts funded by MOST. The successful applicants were announced by the Premier in Beijing in May of 2008.

MARKETING AND COMMUNICATIONS

BCIC's Marketing and Communications meets the Council's mandate of encouraging science and technology in the province through two tracks. First, it increases the awareness of achievements of science and technology students, companies and organizations. It does this with a province-wide perspective, while always seeking and ensuring that regional focus is maintained. Second, the Council markets strategic BC opportunities internationally to promote BC as a lucrative place to do business.

Through its work promoting programs and sector initiatives, the Council provides government and news media with provincial and regional facts, statistics and success stories so they can communicate this information to their own audiences. In addition many of its clients regard the Council sponsored annual Awards Dinner as a highlight of the province's recognition of the importance of the science and technology sector.

The department also maintains the Council's substantial Internet presence.

REPORT ON PERFORMANCE

GOAL 1: TALENT DEVELOPMENT

Increasing human resource talent to meet the needs of BC's expanding technology sector

To address the need of BC's technology businesses for highly qualified personnel, BCIC is building a culture of innovation and entrepreneurship in the province. Through its talent development programs, the Council is providing a continuum of training, financial support and mentorship for students from elementary through post-secondary levels. These programs support students in each phase of their education to prepare them for careers in industry.

Objectives

- To increase the number of students pursuing careers in science and technology.
- To improve the skills of students and entrepreneurs in the BC science and technology community.

Strategies

- Increasing elementary and secondary student participation in science (such as science fairs), technology and business courses.
- Increasing student enrollment in undergraduate programs in science, technology and business at BC post-secondary institutions.
- Increasing research in technology through programs for graduate students.
- Creating partnerships between science and technology students and business students.
- Providing business planning resources for student-developed technologies.

Measure 1A

Secondary – The number of students that are recipients of BCIC scholarships to enter undergraduate studies.

Target: Not Achieved*

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
0	300	0	400	500	300

Programs

- Science Achievement Awards
- BCIC Young Innovator Scholarship [undergraduate]
- TRIUMF (Tri-University Meson Facility) Fellowship

Partners

- BC Science Teachers' Association
- TRIUMF (Tri-University Meson Facility)
- Northern Development Initiative Trust
- Southern Interior Development Initiative Trust

Importance of measure

The future of BC's knowledge economy depends on student education and their enthusiasm for science and technology. To realize this, BCIC developed the undergraduate entrance scholarship program which offers the most innovative and entrepreneurial students in BC schools the opportunity to enter science, technology and business programs in the province's post-secondary institutions.

*Reason for Variance

The performance against target is at variance because the Science Achievement Awards given to 300 top science students in BC in 2008/09 had a non-monetary value. While the Science Achievement Awards recognize excellence in student achievements and encourage them to enter undergraduate studies, they aren't used in the tabulation of measure 1A because

REPORT ON PERFORMANCE

they aren't categorized as "scholarships" as defined by the measure.

BCIC is currently reviewing its programs in this area and as a result will redefine this measure to ensure that it reflects BCIC's programs going forward. The revised measure will be added to the Report on Performance once finalized with the Ministry of Small Business, Technology and Economic Development.

Measure 1B

Post secondary – The number of undergraduate, graduate students and post-graduates or post-doctorates that have been recipients of programs delivered by BCIC directly or jointly with other partners.

Target: Partially Achieved*

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
70	500	70	500	600	700

Programs

- BCIC Innovation Scholars | BCIC Commercialization Scholars [graduate]
- TRIUMF (Tri-University Meson Facility) Fellowship [undergraduate]
- Paul and Helen Trussell Science and Technology Scholarship [undergraduate – graduate]

Partners

- Precarn Inc.
- Northern Development Initiative Trust
- Southern Interior Development Initiative Trust

Importance of measure

BCIC's graduate scholarship programs increase the number of graduate students who are educated at a high level in technology innovation and entrepreneurship and who will enter careers in BC's technology industries. The programs also provide a point of access to additional resources such as proof of concept development, angel investment and venture capital that lead student innovations to commercialization.

*Reason for variance

The performance against target is at variance due to budget reductions and actual fund disbursements taking place in 2009/10 which had been committed in 2008/09.

BCIC is currently reviewing its programs in this area and as a result will redefine this measure to ensure that it reflects BCIC's programs going forward. The revised measure will be added to the Report on Performance once finalized with the Ministry of Small Business, Technology and Economic Development.

GOAL 2: INNOVATION

Nurturing innovation that will ultimately lead to commercial success stories

To increase the number of innovative ideas that are ready for commercialization, BCIC provides programs and initiatives that invest in the people who will develop new technologies. This promotes a culture of "new ideas" that comes from BC's education system and industry.

REPORT ON PERFORMANCE

Objectives

- To build programs that encourage development of innovative ideas at all levels of the province's education system.
- To strengthen innovation through the research process and by its application in industry.
- To increase the quantity and quality of innovation in BC research institutions and industry.

Strategies

- Teaming science and technology graduate students to conduct research in technology.
- Developing high-level research teams at BC post-secondary institutions.
- Increasing partnerships between post-secondary institutions and industry.

Measure 2

The number of business plans, prototypes, businesses and individuals that have been supported by BCIC programs.

Target: Exceeded*

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
Benchmark: @ March 31, 2008 = 0	61	175	80	80	80

Programs

- BCIC Innovation Scholars | BCIC Commercialization Scholars [graduate]
- New Ventures BC Competition

Importance of measure

It is critical that the province's innovation culture be strengthened and that it motivates students and businesses to develop their ideas towards commercialization. BCIC remains a unique entity providing this vital development.

Reason for variance

The performance against target is at variance because at the time this measure was created in 2007, BCIC did not have a partnership with New Ventures BC. As a result of BCIC's strong partnership with New Ventures BC starting in 2008, the Province was able to develop over 150 ideas and businesses plans towards commercial potential.

GOAL 3: COMMERCIALIZATION

Strengthening BC's economy by expediting innovative ideas to commercial success

To address the need for commercial success, BCIC's programs and initiatives increase the industrial application of research. BCIC closes the innovation to commercialization gap by establishing a range of business development resources, including access to experts, capital and international markets.

Objectives

- To increase the industrial application of research innovation, technology transfer and commercialization activities in key sectors of the economy.
- To increase the number of new businesses in the technology sector.

Strategies

- Increasing technology transfer to industry by partnering with research institution industry liaison offices.
- Increasing the engagement of the regional science and technology councils to act as commercialization resources.
- Increasing the number of new ventures by providing business planning and proof of concept development for innovations.
- Strengthening industry sectors by partnering with industry organizations and key industry leaders.

REPORT ON PERFORMANCE

Measure 3A

Measure: The number of companies that have been created and grown where BCIC programs and BCIC-partnered initiatives have had an impact.

Target: Achieved

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
Benchmark @ March 31, 2008	12	12	13	12	12

Programs

- The industry collaboration component of BCIC Innovation Scholars | BCIC Commercialization Scholars [graduate]

Importance of measures

It is imperative that BC is able to expedite the development of innovation to commercialization. Doing so increases the province's economic strength as well as its competitive advantage. BCIC supports technology projects during the research phase and the critical early stages of commercialization. Its programs and initiatives are directed primarily towards proof of concept development and business planning.

Measure 3B

Measure: The number of domestic and international actions that BCIC develops and participates in and their impact on the BC knowledge economy.

Target: Achieved

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
Benchmark @ March 31, 2008	12	12	10	8	8

Partners

- BC Technology Industries Association
- LifeSciences BC
- Wavefront
- New Ventures BC Competition
- ACETECH
- Vancouver Enterprise Forum
- Enterprize Canada Competition
- Northern Development Initiative Trust
- Southern Interior Development Initiative Trust
- Precarn Inc.
- Medicon Valley Alliance
- People's Republic of China, Ministry of Science and Technology

REPORT ON PERFORMANCE

Importance of Measure

BCIC is uniquely positioned to build partnerships on behalf of the Province of British Columbia with industry, academia and other government across Canada and internationally. Through partnerships, BCIC has been able to secure multi-year contributions, continuing programs and initiatives in industry sectors, domestic regions and international markets of strategic need and importance to the province.

Measure 3C

Measure: The amount of leveraging of core funding that BCIC achieves with partners across all levels of government, institutions and industry.

Target: Partially Achieved*

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
Benchmark @ March 31, 2008	100:20:30	100:7:1	100:65:20	100:80:20	100:100:20

Ratio=Ministry funding: Other government and other ministry funding: Private sector companies, organizations and individuals
The Ministry funding is expressed as 100 and the following two as a percentage of Ministry funding

Partners

- Precarn Inc. (2007-10)
- Northern Development Initiative Trust (2009-12)
- Southern Interior Development Initiative Trust (2009-12)
- People's Republic of China, Ministry of Science and Technology (2008-10)
- Medicon Valley Alliance Ambassador Programme (2009-12)

Importance of measures

This measure represents BCIC's valuable ability to lever funding through partnerships to secure programs. As a result of leveraged funds, BCIC is able to offer more value through its funding.

Reason for variance

Due to the current economic climate, the contributions from the federal government and the private sector were less than anticipated and as a result the ratio in this measure dropped.

BCIC is currently reviewing this measure and is considering eliminating this measure going forward. BCIC will finalize this decision with the Ministry of Small Business, Technology and Economic Development.

ADDITIONAL MEASURE: AWARENESS

Increased public awareness of science and technology

BCIC, in addition to increasing awareness of its activities, also increases awareness of BC's science and technology achievements provincially as well as internationally. It further increases international market opportunities for BC as a province rich with talent and innovative ideas – a location ideal to do business with. This is an integral part of the Council's activities because it builds a supportive culture for the technology industry.

REPORT ON PERFORMANCE

Objectives

- Increase awareness of BC's science and innovation achievements locally and internationally.
- Increase awareness of the Council's activities and achievements.

Strategies

- Increased on-line awareness of the Council's activities.
- Increasing media awareness and engagement.
- Increasing the Council's presence at international technology conferences.
- Sponsoring initiatives led by external organizations in the Council's core business areas.
- Increasing the awareness of science and technology excellence through the annual BCIC Awards Dinner.

Measure: The amount of leveraging of core funding that BCIC achieves with partners across all levels of government, institutions and industry.

Target: Partially Achieved*

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
Benchmark @ March 31, 2008	100:20:30	100:7:1	100:65:20	100:80:20	100:100:20
		Revised Forecast:	10,000,000	8,000,000	* 8,000,000

*Revised to reflect the effect of a decrease in budget

Importance of measure

Creating an environment that supports science and technology requires increasing the awareness of multiple audiences. An informed and supportive community nurtures innovation which ultimately leads to more commercial successes resulting in economic benefit for the province.

Reason for variance

In recognizing the value of awareness to the future growth of BC's science and technology industries, BCIC focussed its commercialization resources and added emphasis to generate media awareness and interest. As a result of the media coverage the 2008/09 target was exceeded. This measure is a count of media reach.

ADDITIONAL MEASURE: CLIMATE ACTION

Meeting the Provincial Government's Climate Change Initiatives

The Council is committed to reducing greenhouse gas emissions both internally and throughout the province. For example, BCIC requires research institution industry liaison offices and regional science technology councils to plan and report on Climate Action initiatives as a condition of their annual core funding. These initiatives are shared as best practices within their respective networks.

In addition, BCIC supports the development of clean technologies by administering the evaluation process for the ICE II Fund on behalf of government. Technologies developed through this Fund will have regional and eventually global impact.

Objectives

- To reduce greenhouse gas emissions.
- To increase the awareness of staff and public's awareness of the importance of climate initiatives.
- To change the behaviour of British Columbians in order to decrease greenhouse gas emissions.

REPORT ON PERFORMANCE

Strategies

- Brainstorming activities and initiatives to reduce greenhouse gas emissions.
- Implementing activities and initiatives in-house to reduce greenhouse gas emissions.
- Rewarding Council staff whose ideas support the climate action initiative.
- Encouraging all British Columbians to reduce greenhouse gas emissions by setting a good example and providing and/or participating in appropriate programs.

Measure: Number of internal climate change initiatives participated in or developed by BCIC and its staff.

Target: Achieved

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
1	10	10	13	15	15

Measure: Number of external climate change projects adopted or initiated by BCIC that may be suitable for other agencies or business at large.

Target: Achieved

Past Performance	2008/09		Future performance targets		
2007/08	Target	Actual	2009/10	2010/11	2011/12
3	5	5	6	7	7

Importance of measures

The Government of British Columbia has fully committed to mitigating the effects of greenhouse gas emissions and other pollutants that contribute to climate change and global warming. BCIC recognizes that its contributions as a Crown agency as well as those of its clients in the non-governmental sector will be important to attaining the Province's Climate Action targets.

Benchmarking

As part of BCIC's ongoing effort to improve, the organization is looking at best practices for comparison to other organizations. One organization the Council will investigate for benchmarking purposes is the newly created Research and Development Corporation (RDC) of Newfoundland and Labrador which has similarities to the Council.

Management's Confidence in Data Integrity

BCIC's performance management and reporting systems include two components: financial and operational. The financial processes and systems are discussed in the Management Discussion and Analysis section of this report.

Management is confident of the operational data utilized in reporting the results of its activities. BCIC's sources of data include in-house records maintained through electronic databases. These records are based on internal reports, external surveys, and in cases where BCIC supports initiatives implemented by other partner organizations, it requests appropriate records be maintained and reported back as a condition of support. Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

Due to the nature of the data, accuracy is limited by human error. The level of confidence for internal data is at a higher level than those submitted externally. However, BCIC strives to verify questionable data as part of the monitoring process for reports submitted externally.

SHAREHOLDER'S LETTER OF EXPECTATIONS

In response to the Shareholder's Letter of Expectations dated January 2009, BCIC is reporting the following:

Key Shareholder's Letter of Expectations' Sections	BCIC's Response
i) Continue to financially support, and ensure accountability for, the University Industry Liaison Offices and the British Columbia Regional Science and Technology Network (BCRSTN) and its member councils;	BCIC finances nine research institution industry liaison offices as well as the BCRSTN and each of its nine regional science and technology councils. To ensure accountability, the Council issued the Shareholder's Letter of Expectations outlining strategic priorities and high-level performance expectations to each office and council. BCIC and the BCRSTN partner to hold an annual conference to share organizational strategies and best practices.
ii) Provide administrative support for the British Columbia Foundation for Research in Science and Technology (BCFRST) – the decision making body which coordinates the programs being launched under the \$50 million Natural Resources and Applied Sciences Research Endowment;	BCIC manages the Natural Resources and Applied Sciences Research Endowment Fund and has launched the Fund's first two programs. The two programs are the Research Team Program and Private Sector Collaborative Program. BCIC also provides administrative support to the BCFRST Foundation.
iii) Continue to develop and initiate programs that support the creation, growth and retention of promising, small technology companies, industry relevant research and the attraction, development and retention of HQP in British Columbia;	BCIC has industry sector development initiatives to create and grow small and medium-size technology companies. It has also developed and initiated five programs to develop and retain HQP in BC. Two of these programs are through NRAS and three are the Council's commercialization programs.
iv) Encourage, assist and facilitate government, industry and academia in the evaluation, development and transfer of ideas, technologies, commercialization opportunities and innovations supporting Government's Climate Action and Clean Energy goals/initiatives;	BCIC, through its programs and partnerships, converts clean technology innovations to commercial successes. For example, the Council provided international market opportunities to 20 BC alternative energy companies who developed new technologies. BCIC also manages the evaluation of applications for the Government's Innovative Clean Energy (ICE) Fund.
v) Provide advice to the Minister, as requested, in support of the advancement of research and innovation and the entrepreneurial science and technology culture in British Columbia;	BCIC serves in an advisory function to the Minister of Small Business, Technology and Economic Development. It also provides advice on technology research, innovation and commercialization to the following ministries: Ministry of Tourism, Culture and the Arts for the creative industries; the Ministry of Energy, Mines and Petroleum Resources for ocean energy and bioenergy; the Ministry of Agriculture and Lands for agriculture, food and bioproducts; and the Ministry of Environment for aquaculture.

SHAREHOLDER'S LETTER OF EXPECTATIONS

vi) Establish research and innovation agreements and initiatives with international governments, businesses and institutions;

BCIC actively promotes the province's technology companies internationally and whenever advantageous, creates partnership agreements.

An examples of BCIC's current partner is the People's Republic of China, Ministry of Science and Technology.

vii) Continue to implement applicable recommendations arising out of Global CONNECT's Report on Integrating and Enhancing Innovation in British Columbia and the Premier's Technology Council's 10th Report on Innovation and Commercialization, as well as the 11th Report focused on integration of Industrial Design in the innovation and commercialization process;

Following on the recommendations in the Global Connect Report, BCIC continues to provide annual financial support to research institution industry liaison offices. The Council is supporting programs delivered by Simon Fraser University, The University of British Columbia and Emily Carr University of Art and Design. BCIC is also developing proof of concept development funding programs with BC post-secondary institutions to be launched in fiscal 2009/10.

viii) Implement Climate Action and Clean Energy goals/ initiatives in order to assist the Province in achieving its greenhouse gas emission reduction target of 33 per cent by 2020;

BCIC is developing and has implemented Climate Action and Clean Energy initiatives through its internal and external activities. It also requires research institution industry liaison offices and regional science technology councils to plan and report on Climate Action initiatives as a condition of their annual core funding.

ix) Reflect the actions outlined in Sections i) to viii) above in the Council's 2009/10 Service Plan; and,

The 2009/10 Service Plan reflects the contents of the SLE, as received.

x) Identify and bring to the Minister's attention those opportunities, gaps or initiatives currently beyond realization due to the Council's budget, or other resource constraints, that could significantly impact the state of innovation within British Columbia.

The Council considers the following initiatives important and if not pursued due to fiscal or other constraints, could result in significantly impacting the state of innovation within British Columbia.

1. BCIC's funding for its Proof of Concept program will have to be significantly scaled back for 2009/10. This program expedites innovative ideas to commercial success.
2. BCIC will not be able to provide any future funding towards its partnership with the People's Republic of China. While phase one will be completed, there will be no new collaborations under this program.
3. Continuation of all other existing BCIC programs will be negatively impacted in future years.

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the BC Innovation Council's financial results is presented below. Chart A details BCIC's current operations, with comparison to budget and the prior year's figures. The chart also includes the results of operations for the previous four years as well as forecast figures for the next three years. Forecasts are consistent with the 2009/10 Service Plan.

In 2008/2009 the Council was affected by reductions to its funding and has adjusted its operations accordingly. The Council carefully focused on its core activities to achieve its budget targets.

BCIC's FTE positions are detailed on the chart.

Chart A

SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS											
(in thousands of dollars)											
	2004/05	2005/06	2006/07	2007/08	2008/09				2009/10	2010/11	2011/12
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE	FORECAST	FORECAST	FORECAST
Revenues											
Province of BC											
Annual Funding	3,268	3,824	4,445	5,272	5,293	5,272	21	21	4,500	4,500	4,500
Additional Funding											168,000
	3,268	3,824	4,445	9,272	9,293	9,412	(119)	21	8,500	8,500	8,500
External Program Funding	2,036	2,844	1,499	778	345	250	95	(433)	250	300	350
Internal Program Funding (2)				1,057	948	5,929	(4,981)	(109)	2,195		
Interest and Other	20	1,372	626	1,173	217	557	(340)	(956)	168	93	93
Total Revenues	5,324	8,040	6,570	12,280	10,803	16,148	(5,345)	(1,477)	11,113	8,893	8,943
Expenditures											
Programs and Initiatives	2,661	4,218	4,031	5,389	11,016	13,080	(2,064)	5,627	5,873	3,653	4,728
Operating/General Admin	790	786	756	1,372	3,133	1,347	1,786	1,761	2,800	2,800	2,300
Salaries and Benefits	970	1,025	1,119	1,902	1,869	1,569	300	(33)	2,100	2,100	1,600
Rent	220	161	160	184	227	152	75	43	340	340	315
Total Expenditures	4,641	6,190	6,066	8,847	16,245	16,148	97	7,398	11,113	8,893	8,943
Excess of Revenue over Expenditure	683	1,850	504	3,433	(5,442)	-	(5,442)	(8,875)	-	-	-
Funds Committed to Future Programs (1)	8,198	14,191	17,549	20,249	13,866	14,318	(452)	(6,383)	11,671	11,671	11,671
Capital Expenditures	36	48	23	105	124	100	24	(19)	100	100	100
Total FTE's	13	13	13	19	20	20	-	(1)	25	25	20
Total Debt	-	-	-	-	-	-	-	-	-	-	-

(1) The balance of Funds Committed to Future Programs includes net assets and deferred revenue balances. Year-to-year changes include Excess of Revenue over Expenditures, increases in capital assets, and changes to deferred revenues as detailed in Note 7 to the audited financial statements. For forecast purposes Internal Program Funding represents the use of Funds Committed to Future Programs as approved by Treasury Board.

(2) Internal Program Funding represents the use of Funds Committed to Future Programs as approved by Treasury Board in the Council's Service Plan.

FINANCIAL REPORT

Natural Resources and Applied Sciences (NRAS) Research Endowment Fund

In the 2005/06 fiscal year, BCIC was charged with stewarding \$50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and the interest earnings spent on program activities. In 2008/09 \$3,000,000 was allocated to program initiatives.

Chart B

NATURAL AND APPLIED SCIENCES ENDOWMENT FUND											
(in thousands of dollars)											
	2004/05	2005/06	2006/07	2007/08	2008/09				2009/10	2010/11	2011/12
						BUDGET	YEAR				
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	VARIANCE	VARIANCE	FORECAST	FORECAST	FORECAST
NRAS Endowment Fund		50,000	50,000	50,000	50,000	50,000			50,000	50,000	50,000
Interest Accumulated, Beginning			-	2,059	4,273	4,273	-	(2,214)	3,031	2,606	2,081
Annual investment income			2,059	2,214	1,758	1,677	81	456	1,575	1,475	1,250
Program expenditures					(3,000)	(3,000)	-	3,000	(2,000)	(2,000)	(2,000)
Forecast Interest Balance			2,059	4,273	3,031	2,950	81	1,242	2,606	2,081	1,331

Note that BCIC's Audited Financial Statements reflect the combined expenditures of Charts A and B.

Assessment of Changes in Results and Reasons for Significant Variances and Trends

Funding from the Provincial Government remained stable for the last two years but is expected to reduce to \$8.5 million in 2009/10 then remain stable into the future.

Other revenues reflect funds received from external, non-Ministry sources and include proceeds from annual awards dinner ticket sales and sponsorship, fees for services and direct and deferred programs funding.

BCIC's 2008/09 operating expenditures have increased to reflect activity in sectors and the advancement of innovative technologies to commercialization. Programs and initiatives increased with the roll out of talent development and international programs.

The Council, as a government not-for-profit enterprise, does not report Retained Earnings. Instead, unspent funds, the source of which is primarily the Provincial Government, are held to be applied to future programs and initiatives. Use of internal funds must be approved by Government. In 2008/09 Council received approval to use \$5.929 million of internal program funding. BCIC also holds funds contributed by other ministries, such as the Ministry of Agriculture and Lands, as deferred revenues to be applied to specific programs under the terms of the funding.

The Council's capital expenditures are primarily for computer equipment and leasehold improvements for its office.

The Council was close to target on its expenditures, exceeding budget only by \$97,000 (0.6%) due to increased evaluation costs for the ICE fund undertaken on behalf of Government. Revenues, as reported in accordance with GAAP, are \$5.3 million different than budget; however, this reflects the use of Council's internal funds as approved, which is reported in the audited Financial Statements as Excess of Expenditure over Revenue. The Council is pleased to report an increase of operating and program expenses over the previous year due to the roll out of planned programs and initiatives in accordance with the Service Plan.

Major Risks and Opportunities that Affected Financial Performance

The primary risk associated with the financial performance of BCIC is based upon the level of contributions it receives from principal funders. With growing fiscal restraint on BCIC's funding sources, annual funding levels have a significant impact on BCIC's operations and programs. Strategies to mitigate this risk include ongoing communications with BCIC's existing and

FINANCIAL REPORT

potential funding sources in order to build awareness of the value in BCIC programs. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources. BCIC has reserves, however if reserves are frozen this will impair the development and roll out of future programs and initiatives.

With the establishment of the Natural Resources and Applied Sciences Endowment Fund, interest rate levels are a significant factor of the fund's income. The primary goal of investing the endowment is preservation of the principal.

Information on Subsidiaries

The Council's financial results are combined with those of the BC Advanced Systems Foundation (BCASF). In 2004, the Province of British Columbia announced a merger between the Innovation and Science Council of BC and the BCASF. At that time, the Council became known as the BC Innovation Council and its management team operated the affairs of the BCASF on its behalf. As directed by the Minister, the Council entered into an assignment and assumption agreement on March 30th, 2007, whereby the assets and liabilities of BCASF were formally transferred to the Council to effect the original intention of the merger. BCASF is in the process of being wound up and it is expected that an Order in Council will formally complete that process in the near future.

FUTURE OUTLOOK

While the current uncertain economic climate is of concern, the Council is strategically positioned to stimulate the economy by acting as a bridge between innovation and commercialization. To this end, the Council is refining its direction under its mandate to provide more support to pre-investment companies.

The Council's programs and initiatives such as its proof of concept development will offer funding for projects with the most commercialization potential and will result in a significant number of new technology ventures – a boost to BC's economy.

The Council is actively working in sectors important to BC's economy providing in-house collaboration efforts between government, industry and academia. BCIC reaches all the nine regions of the province by providing funding to the regional science councils and working closely with them. The Council also provides funding for commercialization offices located at major universities and research institutions and works closely with them to identify market opportunities.

BCIC's staffing has been reduced, and additional changes may be made to align with specific priorities established.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of the Council are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available up to June 17, 2009. The financial statements have been reviewed by BCIC's Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present BCIC's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditors' Report, Audited Financial Statements and accompanying notes to the financial statements (see page 28).

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

**Combined Financial Statements of
BRITISH COLUMBIA INNOVATION COUNCIL
Year ended March 31, 2009**



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Burnaby BC V5H 4N2

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AUDITORS' REPORT TO THE DIRECTORS

We have audited the combined statement of financial position of British Columbia Innovation Council (the "Council") as at March 31, 2009 and the combined statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2009 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

May 1, 2009

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Financial Position

March 31, 2009 with comparative figures for 2008

	2009	2008
Assets		(restated - note 2)
Current assets:		
Cash and cash equivalents	\$ 13,912,301	\$ 21,289,525
Restricted cash and short term investments (notes 4 & 8)	53,031,420	54,272,764
Accounts receivable	95,934	93,906
Awards and contributions receivable	--	6,998
Prepaid expenses	25,104	7,232
	<u>67,064,759</u>	<u>75,670,425</u>
Long-term investments (note 5)	22	321,329
Capital assets (note 6)	204,109	144,513
	<u>\$ 67,268,890</u>	<u>\$ 76,136,267</u>

Liabilities and Net Assets

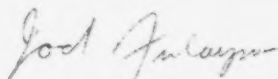
Current liabilities:		
Accounts payable and accrued liabilities	\$ 371,260	\$ 1,614,055
Deferred program revenues (note 7)	6,679,604	7,621,203
	<u>7,050,864</u>	<u>9,235,258</u>
NRAS endowment liability (note 8)	53,031,420	54,272,764
Net assets:		
Invested in capital assets (note 6)	204,109	144,513
Unrestricted	6,982,497	12,483,732
	<u>7,186,606</u>	<u>12,628,425</u>
Commitments and contingencies (note 9)		
Contractual obligations (note 10)		
Employee future benefits (note 11)		
	<u>\$ 67,268,890</u>	<u>\$ 76,136,267</u>

See accompanying notes to the combined financial statements.

Approved on behalf of the Board:



Director



Director

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Operations

Year ended March 31, 2009 with comparative figures for 2008

	2009	2008
		(restated - note 2)
Revenue:		
Province of British Columbia	\$ 9,293,000	\$ 9,272,000
Program revenue (note 7)	948,334	1,057,374
Revenue from NRAS Endowment	3,000,000	-
Interest	414,363	749,789
Other income	344,945	777,666
Gain (loss) on equity investments (note 5)	(197,354)	423,052
	13,803,288	12,279,881
Expenses		
Program expenses:		
Talent development and innovation (note 8)	5,869,702	2,060,959
Contribution to NRAS program (note 8)	3,000,000	-
Commercialization	495,086	200,000
Science and technology fund	3,437,030	2,731,807
Sector programs	569,051	396,415
International program	645,673	-
Communications and recognition	440,380	283,188
Amortization	63,939	40,443
Operations	4,724,066	3,134,566
	19,244,927	8,847,378
Excess (deficiency) of revenue over expenses	\$ (5,441,639)	\$ 3,432,503

See accompanying notes to the combined financial statements.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Changes in Net Assets

Year ended March 31, 2009

	Invested in capital assets (note 6)	Unrestricted	2009 Total	2008 Total
Balance, beginning of year:				
As previously reported	\$ 144,513	\$ 7,159,122	\$ 7,303,635	\$ 5,778,167
Adjustment to opening balance (note 2)	-	5,324,610	5,324,610	3,417,575
As restated	144,513	12,483,732	12,628,245	9,195,742
Excess (deficiency) of revenue over expenses	(63,939)	(5,377,700)	(5,441,639)	3,432,503
Invested in capital assets	123,535	(123,535)	-	-
Balance, end of year	\$ 204,109	\$ 6,982,497	\$ 7,186,606	\$ 12,628,245

See accompanying notes to the combined financial statements.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Cash Flows

Year ended March 31, 2009

	2009	2008
		(restated - note 2)
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (5,441,639)	\$ 3,432,503
Items not involving cash:		
Amortization of capital assets	63,939	40,443
Unrealized gain on long-term investments	-	321,035
Realized loss on disposal of long term investments	197,354	-
Changes in non-cash operating working capital:		
Accounts receivable and awards and contributions receivable	4,970	663,294
Prepaid expenses	(17,872)	11,558
Accounts payable and accrued liabilities	(1,242,795)	719,745
Deferred program revenues	(941,599)	(768,284)
	(7,377,642)	4,420,294
Investments:		
Net movement on short-term investments	22,908,323	(2,395,698)
Proceeds on sale of long-term investments	123,953	22,362,119
Purchase of capital assets	(123,535)	(104,954)
Increase (decrease) in Endowment Fund	(1,241,344)	2,214,138
	21,667,397	22,075,605
Increase in cash and cash equivalents	14,289,755	26,495,899
Cash and cash equivalents, beginning of year	52,653,966	26,158,067
Cash and cash equivalents, end of year	\$ 66,943,721	\$ 52,653,966

See accompanying notes to the combined financial statements.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2009

1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, who are appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

The combined statements reflect the operations of the Council and the British Columbia Advanced Systems Foundation ("BCASF").

Under Section 13 of the Act, directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to support applied research and commercialization of science and technology to foster province-wide economic development.

2. Change in accounting:

During the year the Council changed from presenting its provincial government revenues as deferred revenues, which were amortized to revenue as used, to recording on the Statement of Operations in the year received. The amount received is unrestricted with no repayment clause of unspent amounts until the Council is wound up. This change was applied retroactively. The results of this change are that prior year excess of revenue over expenses was increased by \$1,907,035 and opening unrestricted net assets as at April 1, 2007 increased by \$3,417,575, with the elimination of the same amount of funds from deferred revenue.

3. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid securities with original terms to maturity of three months or less when purchased and have been classified as held for trading.

(c) Short-term investments:

Short-term investments, which are recorded at the lower of amortized cost and market value, include investments with original terms to maturity of greater than three months and less than one year when purchased and are classified as held-to-maturity.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2009

3. Significant accounting policies (continued):

(d) Long-term investments:

Long-term investments, which include investments with original terms to maturity of greater than one year when purchased, are classified as held for trading and are recorded at market value.

(e) Capital assets:

Capital assets are amortized over their estimated useful lives as shown in the schedule below:

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33-1/3% declining balance
Leasehold improvements	Lesser of the term of the lease and the useful life of the asset

Management has reviewed the carrying value of the capital assets and determined that there is no impairment.

(f) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received if the amounts can be estimated and collection is reasonably assured. Government grants not restricted as to their use are recognized as revenue when receivable. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the products are delivered.

Investment income on net asset balances is recognized as revenue when it is earned. Externally restricted non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expense is incurred.

Investment income on deferred revenue balances is deferred and recognized as revenue in the year in which the related expense is incurred.

The Council provides office services to certain entities, the revenue from which is netted against the cost, with any margin reflected in other income.

(g) Employee future benefits:

The Council accrues employee future vacation entitlements. The Council is a member of the Public Service multi-employer pension plan (note 11).

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of capital assets for amortization and accrued liabilities. Actual results may differ from these estimates.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2009

3. Significant accounting policies (continued):

(i) Adoption of accounting standards:

(i) Assessing going concern:

Effective April 1, 2008, the Council implemented CICA Handbook Section 1400, *General Standards of Financial Statement Presentation* which includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Council's ability to continue as a going concern, based on the assumption that the current revenue and funding levels are maintained and any committed additional future funding is received. If there are significant declines in revenues or funding, expenses will be adjusted to match committed funding.

(ii) Capital disclosures:

Effective April 1, 2008, the Council adopted CICA Handbook Section 1535, *Capital Disclosures*. Under this new standard, the Council is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Council's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Council regards as capital, whether the Council has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements (note 12).

(iii) Financial instruments disclosure and presentation:

In the prior year financial statements the Council disclosed that it would be adopting CICA Handbook Section 3862, *Financial Instruments - Disclosures* and Section 3863 *Financial Instruments - Presentation* for the year ended March 31, 2009. These standards revise the current standards on financial instruments disclosure and presentation and place an increased emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

(j) Future accounting pronouncements:

(i) Revisions to Not-for-Profit accounting standards:

In September 2008, the CICA issued amendments to Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments are effective for the Council's fiscal year commencing April 1, 2009 and remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, require disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow Handbook Section 1540, *Cash Flow Statements*. The Council does not believe it will have a material impact on its financial statements.

(ii) Changes in accounting framework:

The CICA has decided to transition Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Council is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2009

4. Short-term investments:

As at March 31, 2009, no short-term investments are outstanding. The carrying value and market value of short-term investments included in restricted cash and short term investments as at March 31, 2008 was \$22,908,323.

5. Long-term investments:

Long-term investments are share investments of previous BCASF program participant corporations received in exchange for all or a portion of loan or royalty interests. During the year the Council sold all publicly traded shares. As at March 31, 2009, the Council has assessed the shares held of private held corporations to have no market value. As such, these investments are recorded at a nominal value of \$1 each for each company shareholding. As at March 31, 2009 the market value of long-term investments was \$22 (2008 - \$321,329).

6. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and equipment	\$ 116,799	\$ 62,752	\$ 54,047	\$ 44,728
Computer hardware and software	320,147	173,706	146,441	90,610
Leasehold improvements	27,770	24,149	3,621	9,175
	\$ 464,716	\$ 260,607	\$ 204,109	\$ 144,513

7. Deferred program revenues:

	2009	2008
Balance, beginning of year	\$ 7,621,203	\$ 8,389,487
Provincial contributions	-	50,000
Federal contributions	280,000	-
Other contributions	71,929	98,407
Investment income	82,478	140,683
Reduction in award commitments	31,399	-
Refunds	(459,071)	-
Less amounts amortized to program revenues	(948,334)	(1,057,374)
Balance, end of year	\$ 6,679,604	\$ 7,621,203

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2009

8. Natural Resources and Applied Science Research Endowment ("NRAS"):

In fiscal year 2005/2006, the Council was charged with stewarding \$50 million from the Ministry of Economic Development for the support of training, research and development in natural and applied sciences. As an endowment liability, it is expected that the capital and all interest earned will be preserved. As such, cash and cash equivalents of \$53,031,420 equal to the endowment liability are restricted.

Investment earnings of the endowment liability are credited directly to the endowment liability on the statement of financial position.

The endowment liability is calculated as follows:

	2009	2008
NRAS Endowment principal	\$ 50,000,000	\$ 50,000,000
Interest accumulated at beginning of year	4,272,764	2,058,626
Annual interest income	1,758,656	2,214,138
Program expenditures	(3,000,000)	-
Interest balance, end of year	3,031,420	4,272,764
Total balance principal plus interest	\$ 53,031,420	\$ 54,272,764

During the year ended March 31, 2009 the Council contributed \$5,945,500 to the Vancouver Foundation, into a fund to be known as the British Columbia Innovation Council Fund. Of this amount \$3,000,000 was contributed from the interest earnings on the NRAS Endowment and the remaining amounts from Council's general revenues and is included in Talent development and innovation expense. The Council's program directors provide input as to the disbursement decisions from this fund.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2009

9. Commitments and contingencies:

(a) The Council's offices are occupied under a long-term lease with varying terms to November 29, 2014. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until November, 2011 at a quarterly rental of \$3,396.

Total lease payments for the next five years are as follows:

2010	\$ 244,357
2011	253,366
2012	265,951
2013	284,435
2014 and thereafter	503,474

10. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2009 for the future funding of research projects to be completed subsequent to the year end.

These contractual obligations are funded in instalments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable until these conditions have been met.

The research project contractual obligations of the Council as at March 31, 2009 are \$2,243,644 (2008 - \$4,310,917).

11. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2008) indicated a surplus of approximately \$487 million. The plan covers approximately 55,000 active employees. The next required valuation will be as of March 31, 2011 with results available in 2012.

Contributions to the Plan by the Council for fiscal 2009 were \$131,508 (2008 - \$108,618).

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2009

12. Capital management:

The Council receives its principal source of capital through funding received from government agencies. The Council defines capital to be net assets.

The Council's objective when managing capital is to fund its operations and capital asset additions. The Council manages the capital structure and makes adjustments based on the funding available and economic conditions. Currently, the Council's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding.

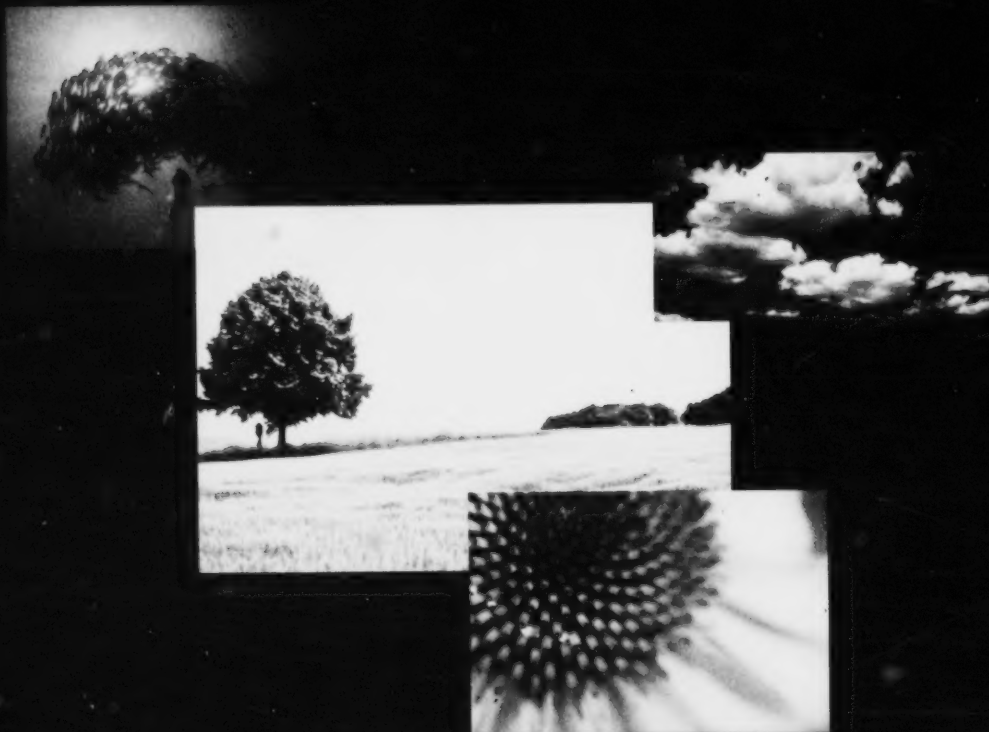
The Council is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. Non-compliance with external restrictions may result in reductions of future funding for designated purposes.

13. Financial instruments:

The Council's financial instruments, including cash and cash equivalents, accounts receivable, awards and contributions receivable and accounts payable and accrued liabilities approximate their fair value due to their immediate or short term to maturity. The fair market values of short-term and long-term investments are disclosed in notes 4 and 5, respectively.

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



BRITISH
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BC INNOVATION COUNCIL

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